

REGULATORY FOCUS

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MAJOR RATE CASE DECISIONS--JANUARY-SEPTEMBER 2012

The average return on equity (ROE) authorized electric utilities in the first nine months of 2012 was 10.22% (33 observations), equal to the average in calendar-2011. We note that the 2012 data includes several surcharge/rider generation cases in Virginia that incorporate ROE premiums. Virginia statutes authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the Virginia Commission Profile). Excluding these Virginia surcharge/rider generation cases from the data, the average authorized electric ROE was 9.97% for the first nine months of 2012. The average ROE authorized gas utilities for the first three quarters of 2012 was 9.75% (14 observations), slightly lower than the 9.92% average in calendar-2011. We note that this report utilizes the simple mean for the return averages.

After reaching a low in the early-2000s, the number of rate case decisions for energy companies generally increased over the ensuing years. In 2001, there were 32 electric and gas rate decisions, versus 95 in 2009, 126 in 2010, and 84 in 2011. And, we are estimating that roughly 100 electric and gas rate cases will be decided in 2012. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit expenses argue for the continuation of an active rate case schedule over the next few years.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction over the revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 4), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, average authorized ROEs have declined slightly since 2008. In fact, some state commissions have cited the lethargic economy and customer hardship as factors influencing their equity return authorizations. In addition, the Federal Reserve's recently announced "quantitative easing 3" may exert modest downward pressure on interest rates in the short-to-intermediate term.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2006, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past seven quarters. The individual electric and gas cases decided in the first nine months of 2012 are listed on pages 4-7, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study. We note that the cases and averages included in this study may be slightly different from those in our on-line Rate Case History database, with any differences reflecting, for example, this study's historical inclusion (pre-2011) of ROE determinations that are rendered in cost-of-capital-only proceedings in California.

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Electric Utilities--Summary Table*

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
1998	Full Year	9.44	(9)	11.66	(10)	46.14	(8)	-429.3	(31)
1999	Full Year	8.81	(18)	10.77	(20)	45.08	(17)	-1,683.8	(30)
2000	Full Year	9.20	(12)	11.43	(12)	48.85	(12)	-291.4	(34)
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
	1st Quarter	8.12	(13)	10.32	(13)	49.05	(13)	610.5	(15)
	2nd Quarter	8.01	(10)	10.12	(10)	46.36	(10)	1,055.9	(12)
	3rd Quarter	8.09	(7)	10.00	(7)	48.33	(7)	642.4	(11)
	4th Quarter	7.61	(11)	10.34	(11)	47.91	(10)	544.7	(15)
2011	Full Year	7.95	(41)	10.22	(41)	47.97	(40)	2,853.5	(53)
	1st Quarter	8.00	(11)	10.84	(12)	50.20	(10)	970.6	(16)
	2nd Quarter	7.78	(12)	9.92	(13)	51.01	(13)	432.3	(16)
	3rd Quarter	8.06	(9)	9.78	(8)	51.16	(8)	296.4	(10)
2012	Year-To-Date	7.94	(32)	10.22	(33)	50.79	(31)	1,699.3	(42)

Gas Utilities--Summary Table*

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
1998	Full Year	9.46	(10)	11.51	(10)	49.50	(10)	93.9	(20)
1999	Full Year	8.86	(9)	10.66	(9)	49.06	(9)	51.0	(14)
2000	Full Year	9.33	(13)	11.39	(12)	48.59	(12)	135.9	(20)
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
	1st Quarter	8.07	(6)	10.10	(5)	52.47	(4)	48.3	(9)
	2nd Quarter	8.05	(4)	9.88	(5)	54.45	(3)	234.0	(7)
	3rd Quarter	8.09	(2)	9.65	(2)	49.44	(2)	26.5	(4)
	4th Quarter	8.07	(5)	9.88	(4)	52.03	(4)	127.5	(11)
2011	Full Year	8.57	(16)	9.92	(16)	52.33	(13)	436.3	(31)
	1st Quarter	7.63	(5)	9.63	(5)	51.40	(5)	125.3	(5)
	2nd Quarter	7.80	(6)	9.83	(8)	49.15	(7)	39.3	(8)
	3rd Quarter	8.26	(1)	9.75	(1)	59.63	(1)	47.7	(4)
2012	Year-To-Date	7.77	(12)	9.75	(14)	50.82	(13)	212.3	(17)

ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mill.</u>
1/3/12	Appalachian Power (VA)	---	11.40	---	2/13-YE	26.1 (B,1)
1/10/12	PacifiCorp (ID)	---	---	---	12/10	34.0 (B,Z)
1/25/12	Duke Energy Carolinas (SC)	8.10	10.50	53.00	12/10-YE	92.8 (B)
1/27/12	Duke Energy Carolinas (NC)	8.11	10.50	53.00	12/10-YE	368.0 (B,2)
2/2/12	Virginia Electric and Power (VA)	8.77	11.40	53.25	3/13-A	34.1 (3)
2/15/12	Indiana Michigan Power (MI)	6.84	10.20	42.07 *	12/12-A	14.6 (B)
2/23/12	Idaho Power (OR)	7.76	9.90	49.90	12/11-A	1.8 (B)
2/22/12	Florida Power (FL)	---	---	---	---	150.0 (B,4)
2/27/12	Gulf Power (FL)	6.39	10.25	38.50 *	12/12-A	68.1 (I,Z)
2/29/12	Northern States Power-Minnesota (ND)	---	10.40	---	12/11	15.7 (B,I,Z)
3/16/12	Virginia Electric and Power (VA)	9.03	12.40	53.25	3/13-A	6.4 (5)
3/20/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	-4.3 (6)
3/21/12	NorthWestern Corp. (MT)	---	---	---	A	39.1 (I,Z,7)
3/23/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	46.8 (8)
3/29/12	Northern States Power-Minnesota (MN)	8.32	10.37	52.56	12/11-A	72.9 (B,I,Z)
3/30/12	PacifiCorp (WA)	7.74	---	---	12/10	4.5 (B)
2012	1ST QUARTER: AVERAGES/TOTAL	8.00	10.84	50.20		970.6
	MEDIAN	8.11	10.50	53.00		---
	OBSERVATIONS	11	12	10		16
4/4/12	Hawaii Electric Light Company (HI)	8.31	10.00	55.91	12/10-A	4.5 (I,B)
4/18/12	Westar Energy/Kansas Gas & Elec. (KS)	---	---	---	3/11	50.0 (B,9)
4/26/12	Public Service Co. of Colorado (CO)	8.08	10.00	56.00	---	234.4 (B,Z)
5/2/12	Maui Electric Company (HI)	8.15	10.00	56.86	12/10-A	4.7 (I,B)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	63.3
5/15/12	Arizona Public Service (AZ)	8.33	10.00	53.94	12/10-YE	0.0 (B)
5/18/12	El Paso Electric (TX)	---	---	---	9/11	-15.0 (B)
5/29/12	Commonwealth Edison (IL)	8.16	10.05	46.17	12/10-YE	-168.6 (D)
6/7/12	Consumers Energy (MI)	6.70	10.30	42.07 *	9/12-A	118.5 (I)
6/14/12	Orange and Rockland Utilities (NY)	7.61	9.40	48.00	6/13-A	19.4 (B,D,10)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	0.0 (11)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	2.7 (B)
6/19/12	Northern State Power-Minnesota (SD)	7.79	9.25	53.04	12/10-A	8.0 (I)
6/26/12	Wisconsin Electric Power (MI)	6.35	10.10	43.51 *	12/12-A	9.2 (I)
6/29/12	Hawaiian Electric Company (HI)	8.11	10.00	56.29	12/11-A	43.1 (I,B,12)
6/29/12	Idaho Power (ID)	---	---	---	12/12	58.1 (13)
2012	2ND QUARTER: AVERAGES/TOTAL	7.78	9.92	51.01		432.3
	MEDIAN	8.04	10.00	53.04		---
	OBSERVATIONS	12	13	13		16
7/9/12	Oklahoma Gas & Electric (OK)	---	10.20	---	12/10-YE	4.3 (B)
7/16/12	PacifiCorp (WY)	7.67	9.80	52.10	3/13-A	50.0 (B,Z)
7/20/12	Delmarva Power & Light (MD)	7.56	9.81	50.06	12/11-A	11.3 (D)
7/20/12	Potomac Electric Power (MD)	7.96	9.31	50.13	12/11-A	18.1 (D)

ELECTRIC UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
9/13/12	Entergy Texas (TX)	8.27	9.80	49.92	6/11-YE	27.7
9/19/12	Ameren Illinois (IL)	8.86	10.05	51.49	12/10-YE	-48.1 (D,14)
9/19/12	PacifiCorp (UT)	7.68	9.80	52.10	5/13	154.0 (B,Z)
9/20/12	Idaho Power (OR)	7.76	---	---	12/11-A	3.0 (15)
9/26/12	Potomac Electric Power (DC)	8.03	9.50	49.23	9/11-A	24.0 (D)
9/26/12	South Carolina Electric & Gas (SC)	8.75	---	54.28	6/12-YE	52.1 (16)
2012	3RD QUARTER: AVERAGES/TOTAL	8.06	9.78	51.16		296.4
	MEDIAN	7.96	9.80	50.81		---
	OBSERVATIONS	9	8	8		10
2012	YEAR-TO-DATE: AVERAGES/TOTAL	7.94	10.22	50.79		1,699.3
	MEDIAN	8.06	10.05	52.10		---
	OBSERVATIONS	32	33	31		42

GAS UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
1/10/12	Ameren Illinois (IL)	8.33	9.06	53.27	12/12-A	32.2
1/10/12	North Shore Gas (IL)	7.43	9.45	50.00 (17)	12/12-A	1.9
1/10/12	Peoples Gas Light & Coke (IL)	6.94	9.45	49.00 (17)	12/12-A	57.8
1/23/12	Piedmont Natural Gas (TN)	7.98	10.20	52.71	2/13-A	11.9 (B)
1/31/12	New Mexico Gas (NM)	7.48	10.00	52.00	9/10-YE	21.5 (B)
2012	1ST QUARTER: AVERAGES/TOTAL	7.63	9.63	51.40		125.3
	MEDIAN	7.48	9.45	52.00		---
	OBSERVATIONS	5	5	5		5
4/24/12	UNS Gas (AZ)	8.27	9.75	50.82	12/10-YE	2.7
4/24/12	Northern Utilities (NH)	7.24	9.50	40.25	12/10-YE	2.7 (I,B,18)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	13.4
5/22/12	SourceGas Distribution (NE)	7.67	9.60	51.16	3/11-YE	5.0 (I)
5/24/12	Minnesota Energy Resources (MN)	7.83	9.70	50.48	12/11-A	11.0 (I)
6/7/12	Consumers Energy (MI)	---	10.30	---	12/12	16.0 (I,B)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	-13.1 (19)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	1.6 (B)
2012	2ND QUARTER: AVERAGES/TOTAL	7.80	9.83	49.15		39.3
	MEDIAN	7.82	9.73	50.48		---
	OBSERVATIONS	6	8	7		8
7/2/12	Washington Gas Light (VA)	8.26	9.75	59.63	9/10	20.0 (I,B)
7/19/12	ONEOK (OK)	---	---	---	12/11-YE	9.5 (B,20)
8/22/12	Atmos Energy (KS)	---	---	---	9/11-YE	2.8 (B)
9/27/12	Peoples Natural Gas (PA)	---	---	---	10/12	15.4 (B)
2012	3RD QUARTER: AVERAGES/TOTAL	8.26	9.75	59.63		47.7
	MEDIAN	8.26	9.75	59.63		---
	OBSERVATIONS	1	1	1		4
2012	YEAR-TO-DATE: AVERAGES/TOTAL	7.77	9.75	50.82		212.3
	MEDIAN	7.82	9.73	50.82		---
	OBSERVATIONS	12	14	13		17

FOOTNOTES

A- Average

B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

CWIP- Construction work in progress

D- Applies to electric delivery only

E- Estimated

Hy- Hypothetical capital structure utilized

I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.

YE- Year-end

Z- Rate change implemented in multiple steps.

* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

- (1) Rate increase authorized through a generation rider/adjustment clause.
- (2) The approved/stipulated \$368 million base rate increase includes \$51 million that the company is to defer until its next rate case, representing a cash return on construction work in progress.
- (3) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station and associated transmission facilities.
- (4) PSC adopted a settlement that addresses base rates and issues related to the company's nuclear plants. Effective January 2013, the company is to increase base rates by \$150 million, and base rates would then be frozen through 2016, except as otherwise provide for by the settlement.
- (5) Increase authorized through a surcharge (Rider B) related to generation conversion project investments.
- (6) Rate change approved through surcharge (Rider R) related to the Bear Garden Generating Station.
- (7) Case is a limited-issue rate proceeding, covering NorthWestern's incremental investment in the Dave Gates (formerly Mill Creek) generating facility.
- (8) Increase authorized through a surcharge, Rider S, associated with the Virginia City Hybrid Energy Center.
- (9) Authorized base rate increase is \$104.3 million after the transfer to base rates, from a rider, of \$54.3 million of certain environmental compliance costs.
- (10) Approved Joint Proposal includes three-year rate plan specifying \$19.4 million, \$8.8 million, and \$15.2 million rate increases, based upon 9.4%, 9.5%, and 9.6% ROEs, respectively. A levelized plan was adopted, whereby rates in each of the three years are to be increased by \$15.2 million.
- (11) PSC adopted the company's proposal to freeze base rates for 2013 and 2014.
- (12) Rate increase excludes amounts being recovered through the company's alternative regulation framework.
- (13) The rate increase reflects the recovery of the company's investment in the Langley Gulch natural gas-fired combined cycle plant. The rate request and authorization are premised upon the 7.86% overall return authorized in the company's last rate case that was decided on 12/30/11.
- (14) This proceeding is a formula rate plan (FRP) filing made pursuant to legislation that requires the state's large electric utilities to invest specific amounts in their transmission and distribution systems, with recovery of these investments to occur in annual FRP proceedings, subject to Commission approval.
- (15) The rate increase reflects the recovery of the company's investment in the Langley Gulch natural gas-fired combined cycle plant. The rate request and authorization are premised upon the 9.9% ROE and 7.757% ROR authorized in the company's last rate case that was decided on 2/23/12.
- (16) Authorized rate increase represents a current cash return on incremental V.C. Summer nuclear plant CWIP. The increase incorporates a previously authorized 11% ROE and incremental CWIP of \$436.2 million as of 6/30/12.
- (17) Component of an "imputed" capital structure.
- (18) An additional \$1 million step adjustment rate increase also authorized.
- (19) PSC adopted the company's proposal to reduce base rates by \$13.1 million for 2013 and then to freeze base rates for 2014.
- (20) Case filed pursuant to company's performance-based ratemaking plan.

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